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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 12, 2001

JOINT APPLICATION OF

MARSHALL WATER WORKS, INC.

and

MARSHALL WATER WORKS II, INC.

CASE NO. PUE010246

For authority to transfer assets
from Marshall Water Works, Inc.,
to Marshall Water Works II, Inc.,
and for a certificate of public
convenience and necessity

FINAL ORDER

On May 4, 2001, Marshall Water Works, Inc. ("Marshall I"), and Marshall Water Works II, Inc. ("Marshall II") (collectively, the "Applicants"), filed a joint application requesting authority pursuant to the Utility Transfers Act, Chapter 5 of Title 56, § 56-88 through 56-92, of the Code of Virginia (the "Code"), for Marshall I to dispose of its water facility assets and for Marshall II to acquire such assets.¹

On May 2, 2001, the Applicants had filed a joint application requesting, pursuant to § 56-265.3 of the Code, a certificate of public convenience and necessity for Marshall II

¹ The Applicants stated that the proposed transfer would enable Marshall II to provide operating funds and to make capital improvements prior to a planned transference of the water system to the Fauquier County Water and Sanitation Authority ("WSA").

to provide water service to the residents of Marshall, Virginia, during the intermediary period between acquisition by Marshall II and ultimate acquisition by the WSA. In addition, the Applicants requested approval of Marshall II's proposed rates and rules and regulations of service, which would be the same as those currently approved for Marshall I.

On May 15, 2001, the Commission issued an Order directing the Applicants to give notice of their application to the customers of Marshall I and local officials, providing interested persons with an opportunity to comment and to request a hearing, and directing Staff to review its application and file a report detailing the results of its investigation.

On June 12, 2001, Marshall I filed proofs of notice and service. There were no comments or requests for hearing on the application.

On June 21, 2001, Staff filed its Staff Report recommending approval of the application. In regard to the proposed transfer of assets, Staff noted that there are no current financial resources to make necessary additions or improvements to the water system, parts of which date back to the 1920s and do not meet applicable standards. Marshall II will use the funding it has available to make improvements so that the system eventually can be transferred to the WSA. Staff noted that Marshall II would need to file a separate application to transfer the water

system to the WSA. Staff concluded that the proposed transfer would not jeopardize or impair the provision of adequate service to the public at just and reasonable rates.

In regard to the requested certificate of public convenience and necessity, Staff recommended approval of Marshall II's proposed rates, but that Marshall II combine the residential and commercial schedules in one schedule since the rates are the same in both. In lieu of certain charges currently established by Marshall I, Staff recommended that Marshall II charge a connection fee that is limited to its actual cost of providing the service, and that Marshall II charge a customer deposit in the amount of the customer's estimated bill for two months usage. Staff further recommended that Marshall II adopt the revised tariff attached to its Staff Report as Attachment A to replace what Staff believes is the inadequate and confusing tariff under which Marshall I is currently providing service. Staff concluded that it is in the public interest for Marshall II to be issued a certificate of public convenience and necessity to provide water service, and Staff recommended that Marshall II's tariff as modified by Staff be approved.

On June 28, 2001, the Applicants filed a response to the Staff Report that requested additional language be added to the

tariff as modified by Staff. Rule No. 3 - Application for Service would be amended to add the following:

(e) In those cases where meters are installed, if the meter should fail to register for any reason, or if the meter reader should be unable to gain admittance to the premises at the time the meter is due to be read or if weather prevents a meter from being read, an estimated bill will be submitted. Such bill shall be based on an average of the consumption for the preceding 12-month period, or, in the case of a new customer where previous consumption cannot be so used for computing average consumption, reasonable estimated consumption shall be used.

Marshall II also proposes to amend Rule No. 6(b) - Meters and Meter Installations to read as follows:

Meters will be furnished, installed and removed by the Company and shall remain its property. Meters will be installed on the property of the Customer or on a public way adjoining the Customer's property.

Staff has indicated it has no objections to these modifications.

NOW THE COMMISSION, having considered the application, Staff's Report, the Applicants' comments on the Staff Report, and applicable law, is of the opinion and finds that the transfer of water utility assets should be approved pursuant to the Utility Transfers Act. We find that such transfer will not jeopardize or impair the provision of adequate water service at just and reasonable rates. We also find, pursuant to § 56-265.3 of the Code, that the public convenience and necessity require

us to issue a certificate to Marshall II to provide water service to the residents of Marshall, Virginia and to approve its proposed rates and rules and regulations of services. We will cancel the certificate authorizing Marshall I to provide water service to its customers.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to §§ 56-89 and 56-90 of the Code, Marshall Water Works, Inc., is hereby granted authority to dispose of the assets of its water system as described in its application.

(2) Pursuant to §§ 56-89 and 56-90 of the Code, Marshall Water Works II, Inc., is hereby granted authority to acquire from Marshall Water Works, Inc., the assets of its water system as described in its application.

(3) Applicants shall submit a Report of Action to the Commission's Director of Public Utility Accounting no later than sixty (60) days after the closing of the transaction; such report shall detail the date of transfer, sales price, and accounting entries reflecting the transfer.

(4) Marshall Water Works, Inc.'s certificate of public convenience and necessity, Certificate No. W-262, is hereby cancelled.

(5) Marshall Water Works II, Inc., is hereby issued Certificate No. W-309 to provide water service to the residents

of Marshall, Virginia under its proposed rates and rules and regulations of service.

(6) There being nothing further to be done, this matter is hereby dismissed from the Commission's docket of active cases.